PILOT LOCAL GOVERNMENT PARTNERSHIP PROGRAM

COMPREHENSIVE REPORT ON ASSISTANCE PROVIDED TO PARTNER CITY OSTROW WIELKOPOLSKI IN THE AREA OF HOUSING

Prepared for

Prepared by

Maris Mikelsons, UI Dr. Edward Kozłowski, CREI Dr. Jacek Łaszek, CREI Pawel Sztejter, REAS Jolanta Banaszkiewicz, REAS

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THE URBAN INSTITUTE

2100 M Street, NW Washington, DC 20037 (202) 833-7200 www.urban.org

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TECHNICAL MEMORANDUM

DESCRIPTION OF THE STRUCTURE OF THE HOUSING MONITORING SYSTEM

DATA BASE STRUCTURE

The Housing Monitoring System was designed as a user-friendly software package containing several spreadsheets. Each spreadsheet relates to a single area that will be monitored. The first spreadsheet uses indicators calculated with basic (raw) data drawn from other spreadsheets. By this method, the user can draw data from various spreadsheets to compile new spreadsheets and even merge one spreadsheet with another to manipulate the data as she sees fit. The user can also freely adjust the sequence of spreadsheets so that any analysis can be simplified.

Each spreadsheet contains ordered data in the first column. The data are listed by sector (e.g. housing finance, construction, municipal housing, etc.). The uppermost row is ordered according to year, starting with 1980. Not all data are available for each year. Therefore, for some data variables there are missing values for particular years. Data for 1990 through 1996 period is almost always available. The spreadsheets allow the user to add other years as needed by simply inserting columns or adding data to the last column to continue the chronological order. Some data lend to quarterly or semi-annual distinction. In this manner, the data can be easily manipulated (combined, extracted, moved from one spreadsheet to another).

The data base was designed so that the user can easily manipulate housing data by sector. The sectors include such headings as housing finance, land-use patterns, volume of market transactions, scope of social assistance devoted to housing (housing allowances), etc. The main objective of the data base is to allow policy makers easy access to data on housing for the municipality and use these data as part of the municipality's overall strategic plan. Data on both housing supply and housing demand are included as part of the housing monitoring system but the accent is on housing supply since these data can be used by the municipality to formulate a better market-oriented housing development strategy.

In the current form, the data base includes eight spreadsheets:

• Basic Indicators. The number of persons per household, average size of the housing unit, number of persons per unit, number of persons per room, ratio between the number of households and number of housing units, newly constructed housing per 1,000 persons, ratio between mortgage loans and property values, land value multiplier, land conversion to building sites, and ratio of cost of land to the cost of housing on per unit basis.

- **Demographic Indicators.** Population, number of households, number of families, and migration rates.
- **Income.** Level of income (based on municipal tax returns), breakdown of income by revenue category and source of income, structure of income tax payers, monthly household expenditures.
- Housing Stock. Number of housing units by type of ownership/management, age of housing, housing by ownership forms (municipal, coop, private, other), management of housing, cost of housing management by type of ownership, rent arrears.
- Construction Industry. Number of newly built housing units, ownership characteristics of new construction, land value/price, infrastructure costs, average size of newly built housing, average time to complete housing, concentration of housing development, structure of the construction industry by size.
- Social Welfare. The number of homeless, substandard housing stock, the number of housing allowance recipients.
- Real Estate Market. The number and structure of real estate transactions (existing houses, land parcels, and commercial property), average price of existing housing, land parcel, housing expenses to income ratio.
- Housing Finance. The number of mortgages for construction of houses, number of mortgages for existing housing, average loan amount, loan to project value ratio, and loan conditions.

A detailed structure of the data base is attached as well a more detailed description of each variable in the data base.

The above data were collected from secondary data sources. No primary data collection activities took place as part of Housing Monitoring System. In addition, the data base contains data from Local Data Bank supplied by Central Statistical Office (GUS). These data contain valuable information about the housing/household characteristics found in Ostrow and municipalities similar in size to Ostrow. In this manner, housing data for Ostrow can be compared to other municipalities. GUS data are readily available (for a fee) from their central data processing center. These data can even be made to order by specifying custom tabulations (for a fee).

SOFTWARE

The Housing Monitoring System was prepared using Microsoft EXCEL software program for Windows. By using EXCEL the data can be easily exported into other Microsoft software such ACCESS or WORD for preparation of reports and tables. In addition, EXCEL as well as ACCESS allow for relatively easy graphic presentations of the data. This feature should enhance the interpretation of the data.

Recommendations

In the future, the Housing Monitoring System should be transferred to the ACCESS platform from its current EXCEL platform. ACCESS is a relatively easy to use data manipulation program that allows for data entry, report generation, and graphic presentations. ACCESS is also compatible with Windows 3.1, Windows for Workgroups, and EXCEL 6.0. Obviously, the type of software one uses is dependent upon the type of computer. As a minimum requirement, the computer that stores the Housing Monitoring System should have a pentium processor and at least 16 megabytes (MB) of resident memory (RM). The Housing Monitoring System was constructed using EXCEL because it was the type of software Ostrow was familiar with and does not require the same computing power as the other data storage software programs.

TYPES OF HOUSING INDICATORS

The Housing Monitoring System is a tool for the municipality to set a market-oriented housing policy. Without good information on the housing stock, households, and the dynamics of related markets (land, in particular), policy makers cannot assess their priorities nor formulate policies to free up the constraints to housing development. The Housing Monitoring System relies on secondary data. This allows, municipal staff to easily update the data base using existing sources of data (data sources for the Monitoring System are identified in a separate document under this technical assistance program). Data for the Housing Monitoring System were derived from GUS, WUS, Ostrow Tax Office, Local Banks, Construction firms, Ostrow Administrative Records, WZGM (Municipal Housing Management enterprise), and private companies such as developers, and real estate agents.

Some of the cells in the Housing Monitoring System are incomplete due to missing data. The effort to undertake primary data collection activities was beyond the scope of this technical assistance. However, we recommend that the city evaluate the empty cells to determine whether primary data collection activities should be undertaken to fill-in missing data items. The administration of surveys does not have to be an expensive proposition since some data could be included as part of ongoing reporting conducted by the

municipality or other institutions.

DESCRIPTION OF THE HOUSING INDICATORS FOR THE HOUSING MONITORING SYSTEM

HOUSING STOCK MANAGEMENT

- Household income and distribution: average household income for total population, by income quintiles, by social groups and by housing sectors (in PLN)
 - Household income by income quintiles
 - Household income by occupational groups of heads of households: white collar, blue collar, self-employed, unemployed, inactive
 - Household income by housing sectors: public rental, private rental, other rental, owner-occupied, other housing

This indicator shows income inequalities in general, by occupational groups and by housing sectors. It is important to know this information because of the measure of affordability problems.

- Housing stock by sectors: the percentage of the total number of dwelling units that are owned and controlled by:
 - Public rental sector: owned and administrated (controlled) by the public sector (municipal and companies)
 - Private rental sector: owned by private owners (private persons and private organizations) and rented out
 - Other (semi-public) rental sector: owned by "other public bodies" (e.g. associations, cooperatives, public enterprises) and rented out
 - Owner-occupied sector: a family living in such a unit is also the owner of the home
 - Other housing: dwelling units which can not be classified into the sectors mentioned above

Subsectors differ from each other in the conditions of the contract and/or the rent regulation. As example there is within the private rental sector an "old" private rental sector which is strictly controlled by the government (rent control, tenant protection) and a "new" private rental sector without any government control.

- One- and multi-family housing stock by sectors:
 - The total number of dwelling units in the housing sector: public rental, private rental, other rental, owner-occupied and other housing (in thousand)
 - Share of housing units in multi-family buildings in different housing sectors (in percent)
 - Share of housing units in single-family buildings in different housing sectors (in

percent)

This indicator is a background to measure the influence of the individual family on decisions related to housing management and development

- Privatized public stock: the percentage of the total number of dwelling units owned by the public sector that have been privatized (cumulative in percent):
 - Sold or given to the sitting tenant
 - sold or given to another landlord

The two forms of privatization differ in the change in the property rights of the families and of the landlord. On the one hand, the public rental unit is sold or given to the family living in the flat who gets the property rights. On the second hand, the public rental unit is sold or given to another semi-public or non-public landlord (semi-public or non-public) who gets the property rights without any change in the property rights of the family living in the flat; transfers within the public sector (e.g. state rental housing to local authorities) are not counted as privatization.

 Revenue from privatization of public housing: the proportion of the revenue (sales price less discounts) and the market value of dwelling units privatized during the actual year; assuming that the formal tenants – as buyers – immediately pay for the unit in cash (in percent)

High discount rates result in quick transition from public property into private, the tenants of the privatized properties get a substantial windfall gain and the local governments have relatively small revenue. Small discount rates, on the other hand, result in slower transition, and inequities are smaller. Local governments do not necessarily receive more revenue due to the lower number of privatized units.

- Restituted public housing: the percentage of the total number of dwelling units owned by the public sector that have been returned to the former rightful owner (cumulative in percent)
- Multi-family stock in mixed ownership buildings (condominiums): the proportion of public rental and owner-occupied flats is in mixed ownership multi-family buildings (in percent):
 - Public rental units in mixed ownership buildings
 - Owner -occupied units in mixed ownership buildings
- Rent index: the index of the median nominal rent (for example 1990 as 100 percent)
- Rental price distortion: the percentage of the median nominal rent of a typical rent-

controlled unit to the free-market nominal rent of a comparable unit in the uncontrolled part of the market (in percent)

- Floor area per person: the median usable floor area per person in different housing sectors (in square meters)
- Person per room: the median number of persons in dwelling units and the median number of rooms in dwelling units in different housing sectors
- Households per dwelling units: the ratio between the total number of households and the total number of occupied dwelling units in different housing sectors
- Proportion of vacant units: the percentage of vacant units in different housing sectors (in percent)
- Infrastructure: water and sewer supply in different housing sectors (in percent)
- Infrastructure: modern heating in different housing sectors: district heating, other central heating, individual modern heating (gas, fuel, night electricity, etc.) (in percent)
- Fixed bath or shower in different housing sectors (in percent)
- Real estate market transactions: number of transactions in the housing market during the given year
- Average price of housing units in real estate transactions of used properties (in zl per square meter)
- House price to income: ratio of the average total housing price of units in real-estate transactions in the given year and the average household annual income for the given year a) for all households, b) for households who bought the properties (in percent)
- Rent to income: the median annual rent of a dwelling unit as a percent of the median household income in total rental sector and separately for private rental sector and public rental sector (in percent)
- Housing utility expenditure to income in the total rental sector and separately in public rental sector and private rental sector (in percent)

- Housing expenditures to income (in percent):
 - Condominium fee (including reconstruction fund) to income
 - Housing loan repayment expenditure to income of owners
 - Housing utility expenditure to income of owners
 - Total housing expenditures to income of owners
- House price index (median unit value): defined as the dwelling prices at the beginning
 of the given year as a percent of the price of the base year (for example 1990 as 100
 percent)
- House price-to-income ratio: the ratio of the median free-market price of a dwelling unit and the median annual household income (in percent)
- Delinquency (in percent)
 - Tenant households in rent arrears as a percent of units in the public rental stock
 - Rent arrears as a percent of the total rent due in the public rental stock
 - Tenant households in utility fee arrears as a percent of units in the public rental stock
 - Utility fee arrears as a percent of the total utility fee due in the public rental sector
 - Owner households in utility fee arrears as a percent of the total number of owneroccupied units
 - Utility fee arrears as a percent of the total utility fee due in the owner-occupied sector
- Rental eviction delay: the typical time in months, from the initial proceedings, required to
 evict a tenant, for public and for private rental housing (in months)
- Organizational form of housing in multi-family housing stock: number and proportion of multi-family housing units in condominiums, cooperatives and public housing
- Average number of units managed by maintenance companies (public, private or cooperative organizations)
- Market shares in management of buildings: percentage and number of multi-family housing units managed by public maintenance companies, private companies, cooperatives or individuals
- Average maintenance cost in multi-family building by the form of management (public, cooperative, private) (in zl per square meter)

- Public housing management by private companies: publicly owned housing units in mixed ownership and in public rental multi-family houses that are managed by private companies as a percent of all publicly owned units
- Public housing operating cost to rent: average operating cost per square meter in a publicly owned multi-family unit for the services: administrative costs, cleaning, smaller repairs, normal maintenance of elevators (excluding rehabilitation and renewal) as a percent of the rent for public housing

CONSTRUCTION, LAND AND INFRASTRUCTURE

- Land cost/value ratio for newly constructed units: the land price as a percent of the total house price (including land price) in the case of typical newly constructed units (in percent)
- Land development multiplier: the ratio between the median land price of a developed plot at the urban fringe and the median price of raw, undeveloped land with planning permission for residential development in an area currently being developed (in percent)
- Land conversion multiplier: the ratio between the median land price of an unserviced plot on the urban fringe given planning permission for residential development, and the median price of a nearby plot in rural use without such permission
- Infrastructure expenditure per capita: the ratio of total expenditures (operation, maintenance, and capital) in USD by all levels of government (including private utilities and parastatals) on infrastructure services (roads, sewerage, drainage, water supply, electricity and garbage collection) during the current year, and the urban population
- New housing construction: the number of units produced (finished) by developer type in the given year (in thousand)
- Housing production: the net number of units produced (units produced minus demolished) in both the formal and informal sector (per 1000 population)
- Housing investment: the total investment in housing (in both the formal and informal sectors) as a percentage of gross national product
- Average size of the unit built in public and private stock (in square meters and in rooms)
- Construction time: the average time required to construct a unit similar to the median built in multi-family house, in individual construction and in public construction in the city

(in months)

- Vacant land: the proportion of developed vacant land saved for residential purpose owned by the local municipality as a percent of the total vacant land zoned for residential purpose in the built up area of the city
- Construction industry concentration: new formal-sector housing units placed on the market by the five largest developers (either private or public) in the given year as a percent of total new construction (in percent)
- Construction cost: the present replacement cost (labor, materials, onsite infrastructure, management and contractor profits) of a median priced dwelling unit (in zl per square meter)
- Structure of the building industry: the number of firms in the building industry by employment (up to 49, 50-99, 100-499, 500-999, 1000 and more) at private and state or local government-owned firms
- Share of housing in construction industry output: the proportion of investments into construction of dwellings within the total construction investment
- The share of private investments within the total investment into construction of dwellings

SOCIAL SAFETY NET ISSUES

- Homelessness: the number of people per thousand of the urban area population who sleep outside dwelling units (e.g. on streets, in parks, railroad stations, and under bridges) or in temporary shelter (per 1000 population)
- Number of beds in shelters for homeless people
- Substandard housing stock: a percent of the substandard housing stock by housing sectors
- Social need for housing: the number of low income local population with social need for housing
- Social housing allocation: the number and percentage of social allocation within the total number of public rental housing units allocated annually (new and vacated units)

- Housing allowances (in percent)
 - Proportion of households of public housing tenants who receive housing allowance
 - Proportion of households of private housing tenants who receive housing allowance
 - Proportion of owners who receive housing allowance

OSTRÓW WIELKOPOLSKI HOUSING MONITORING SYSTEM AN ASSESSMENT AND INTERPRETATION OF INDICATORS

BACKGROUND

Decentralization of responsibility and privatization are two important themes in nearly every sector undergoing reform in Poland. The housing sector is particularly vulnerable to reform since it embodies the single greatest asset of reproducible wealth in the country (about 25 percent) and contributes anywhere from 7 to 18 percent towards Poland's national product. In addition, housing sector plays a key role in economic development by influencing labor mobility through the availability of housing.

Municipalities are struggling to promote housing development through a variety of methods. Ownership of communal housing, which constitutes a substantial share of housing, has been transferred to local governments. Local governments are now responsible for developing strategies to manage and promote housing development along with land-use planning and infrastructure provision. In unison with national level policies municipality officials must formulate local-level housing policies that address local priorities and needs.

The municipality of Ostrow Wielkopolski is somewhat unique among municipalities of similar size in Poland. Ostrow is located on the northeastern part of Poland with relatively close proximity to Germany. The home ownership rate is higher than in other municipalities of similar size with the majority of households who own their homes. The municipality is directly responsible for only about a fourth of all housing through its housing management division. There is little population growth, therefore demand for housing is minimized. Land use is still tightly regulated by the municipality as well as infrastructure development. The municipality limits its involvement in housing development.

In order for the municipality of Ostrow Wielkopolski to orientate its housing policy towards a market-approach towards housing provision, municipal officials require good data on housing and household characteristics. This report describes a Housing Monitoring System that was implemented in Ostrow Wielkopolski with technical assistance provided by USAID. Key areas of concern for the municipality should be on lifting supply-side restrictions to housing development. Supply-side impediments to housing provision hamper the accessibility and availability of housing for the residents of Ostrow Wielkopolski. In addition, supply-side constraints thwart the development of market-oriented approach to housing development.

INTERPRETATION OF INDICATORS

Demographic Data

Demographic indicators are of fundamental importance while developing a locallevel housing strategy since they can be used to determine housing needs.

Despite population growth that prevailed during most of 1980- 1996 period (except for 1996), the tendency for population growth after 1996 has diminished (per 1,000 inhabitants); especially during the last year: from 9.7 percent to -0.2 percent. This phenomena has been caused by a decreasing birth rate (19.4 births per 1,000 inhabitants in 1980 to 10.1 births per 1,000 inhabitants in 1996), but also, to a lesser degree, caused by a decreasing death rate (from 9.7 deaths per 1,000 inhabitants in 1980 to 13.9 deaths per 1,000 inhabitants in 1996).

The second indicator related to demographic is migration rates. Despite a positive migration rate during the entire period of 1980-1996 (more people were migrating to the municipality than emigrating from it). Although the migration rate was increasing during earlier periods, i.e. in 1980-1988, it began to decrease in the nineties (down to in 1996).

A result of these two phenomena is a minimal population growth, observed since 1990.

In relation to other municipalities of similar size (with the population of 50,000 - 100,000), Ostrów has clearly negative net migration rates (-0.2 per 1,000 inhabitants in Ostrów in 1992, as compared to the average of 1.6 persons per 1,000 inhabitants in other municipalities of similar size). Net migration flows for an area are important because they show the population redistribution that occurs when moves by individuals in each direction (in and out of the municipality) are totaled. On the other hand, in migration is greater in the case of Ostrów (1.15 persons per 1,000 inhabitants) as compared to other municipalities of similar size (0.68 persons per 1,000 inhabitants). In Ostrów, the number of inhabitants in the non-working age group is twice as high as that of those in the post-productive age group (27 percent compared to 13 percent, respectively). The remaining 60 percent of the population are those in the productive age group. Ostrów has relatively fewer children born after 1995, and significantly more elderly people than in other municipalities in the same size category.

About 98 percent of families in Ostrów live in single dwelling units (as compared to 97 percent in other municipalities of similar size). This equates to a lower overcrowding than in other municipalities of similar size (or about 1.2 thousand people live in the units with other families). This phenomena dictate that Ostrow has a lower housing demand than in other municipalities of the similar size.

The structure of families and households has a great impact on the housing needs. These data indicate that the total number of households has not changed considerably in Ostrów, similarly to the population as a whole. Data on the size of the household corroborate data on population and households. The average size of a households has not changed drastically (3.0 persons per household in 1980 compared to 3.2 persons per household in 1996). According to the 1988 National Census data, the greatest share of households in Ostrów consisted of two to three persons (44 percent), and followed by those households composed of four to five members (34 percent). There were approximately 1,000 households with six and more persons.

Information on the number of married couples in a municipality also help to define housing demand. In 1980 there were about 4.9 married couples per 1,000 inhabitants while in 1988 there were about 6.5 married couples per 1,000 inhabitants. In this respect Ostrów is not much different from other municipalities.

Demographic indicators when compared to the availability of housing (existing stock and new housing construction) make it possible to evaluate the relative standard of living and housing needs. First point of comparison is to examine the housing deficit in relation to the number of households. This expertise involves an adjustment to the structure of households in relation to the number of dwelling units. Through this examination one discern availability of housing for newly formed households.

The delivery of housing is a complicated process not only because it involves the interplay of both economic and social forces but because it involves many different actors; sellers, renters, landlords, private developers, financiers, and local and central governments. All these participants in the housing sector operate with legal, regulatory, and macroeconomic constraints. In addition, all these actors in the housing market are guided by the basic principal of a market whereby supply responds to demand.

Local governments can make a difference in the housing market through regulations, permitting, building standards, land-use, and finance.

Income

The development of housing market can be analyzed by looking at the structure of household income. Basic information on income in Ostrów was extracted from data on taxes (obtained through the local tax office) that accessed local tax records. On this basis, income data is only approximate taking into account the differences of individual revenue with an without deductions.

Information on relative household income is available by breaking down average

incomes into five categories using monthly figures (households with no income, below PLN 500, PLN 501-1,000, PLN 1,001-1,500, PLN 1,501-2,000, PLN 2,001-2,500, PLN 2,5001-3,000, over PLN 3,000). Groups of taxpayers demonstrating housing expenses are also separated (broken by individual social and income groups), as well as the proportion of those expenses to the taxpayers' incomes.

There is no data on the incomes of households and on the incomes broken down by the structure of households. This does not allow to make a comprehensive evaluation of the level of incomes, although one can assess the relationship among different incomes. The highest average income was declared by couples using tax deductions. Their incomes were almost two times higher than those of couples not using tax deductions. The lowest incomes, at the level of a half of the average income, are declared by single persons not using tax deductions. The stratification of average incomes in each of the five groups in uneven. The widest spread is between the extreme groups, i.e. the first and the second one (2.3-fold increase). The average income in the fifth group (the one with the highest incomes) was 11 times higher than that in the first group in 1996.

Households with declared income has significantly increased over the years. For example, income of single persons declaring tax deductions increase most rapidly, while income of couples not declaring tax deductions also increased but a slower rate (by 11 percent).

Among the five income groups, the number of households represented in highest and lowest groups has shown a marked increase over the last three year period. The amount of an average tax deduction for housing expenses was PLN 1,789 (in the group of those with the lowest incomes) to PLN 21,958 (in the group with the highest incomes).

The basic feature of the income structure in Ostrów is the high degree of polarization that has increased over time. Twenty percent of those in the lowest income group generated only four percent of the total of all incomes, while 20 percent of the population in the highest income group generate about 48 percent of total income. Those in the middle groups are candidates for housing allowances and hold some potential as consumers of owner-occupied housing.

Savings and Purchasing Power

Through a survey of local area banks we can assess savings of the population in Ostrów. This amounts to approximately PLN 150 million or about PLN 6,600 per household. If we assume that the savings are accumulated in the two groups of highest incomes, proportionally to their incomes, this means that on a per household basis the savings for a typical household might be about PLN 14,600. Through this type of analysis one can assess the credit worthiness of households.

The Housing Stock

There are approximately 300 units per 1,000 inhabitants in Ostrów (similar to the national average). This means that 3.36 persons live in an average unit in Ostrow. These figures in relation to those in 1980 show a significant improvement in the availability of housing. However, these numbers for Ostrow are lower when compared to the average number of units per 1,000 inhabitants in municipalities of similar size (315). Through this comparison we can claim that the housing deficit in Ostrow amounts to about 3 thousand units. Research carried out by the Institute of Housing Management indicate that housing deficit affects mainly young persons and families.

Almost half of the number of housing units in Ostrów are relatively large with over 60 square meters of the usable area. The usable area of units on a per capita basis is increasing slowly (19.4 square meters from 1980 to 1996.). In addition, the size of the rental units in Ostrow is about two square meters larger than in other municipalities of similar size. This phenomena can be attributed to a higher share of private units and single-family houses in the structure of the stock than in other municipalities of similar size. The floor area in municipal rental units is about 16 square meters per person while the floor area in private rental units is 22 square meters per person. Single-family houses and units purchased by tenants of municipal buildings make over one-half of the housing stock, while municipal rental units amount to 13 percent of the total housing stock. The usable area of an average municipal unit is about 47.6 square meters- smaller that of all other units in Ostrow. The proportion of municipal units is higher in other municipalities of similar size (16.5 percent). Thus, Ostrów is not burdened by public ownership of housing as much as other municipalities.

Housing needs can also be evaluated according to the number of units that are in need of repair. In Ostrów, about 28 percent of all units were built 50 years ago; among those built after 1944, many are in poor technical condition with no basic sanitary appliances that comply with modern standards. If these figures are taken into consideration, we can estimate that housing deficit in Ostrów exceeds 6-8 thousand units. Poor housing conditions are especially prevalent in the municipal stock, which has depreciated at a greater than other housing because of lack maintenance and capital repairs during the entire post-war period. As a result, a huge backlog of repairs has accumulated. While water supply and sewerage are common in the municipal housing stock, central heating is provided to only half of the units, and one-fifth of the units have no bathrooms. Still, the technical standard of municipal housing stock in Ostrów is not much different from that in other municipalities of similar size.

The New Housing Construction

Local housing conditions are influenced by not only the condition and structure of the existing housing stock but also by the scope and structure of new housing construction. Newly built housing has the greatest impact on the ability to satisfy housing needs, replace degraded stock, and adjust the structure of units to the structure of households.

As mentioned above, housing construction has the greatest impact to address the housing deficit that affects mainly newly formed families. This can be seen by comparing newly contracted marriages to the rate of new housing construction. The number of completed units in Ostrów in 1980 was higher than the number of newly contracted marriages, and it was 8.5 (per 1,000 inhabitants), as compared to 8.1 (the number of marriages). The decreasing number of marriages followed the declined of housing construction over the 1980-1993 period, although the former was not as rapid as the latter. The marriage rate amounted to 5.1 per 1,000 inhabitants in 1996, while the rate of new housing construction was 1.2 houses per 1,000 inhabitants. This development means that housing needs are increasing. The rate of newly built housing in Ostrów is lower than the average for municipalities of similar size by a factor of 1.7.

Like everywhere in Poland, Ostrów the number of newly built housing units has rapidly decreased. New housing construction has decreased almost tenfold during the last seven years. Municipal units have not been built for many years. The last municipal units were completed in 1995. It is mainly individuals who have been building new units during the last three years. The number of completed units is lower than that of building permits issued (almost twice in 1995). The average size of completed units is over 100 square meters.

The size of newly built housing has increased dramatically especially during the recent years. Units built by private investors are almost twice as large as those in multifamily buildings. The usable area of an average unit under construction was 131 square meters in Ostrow while the corresponding size in other municipalities of similar size was only 80 square meters in 1996.

Housing construction depends on several factors. The most important of them is access to land for development. It is estimated that the proportion of undeveloped land in Ostrow allocated for housing development is approximately 20 percent of the total area of land. The share of the price of land in the total cost of construction of a typical dwelling unit is estimated at 2 percent, although it depends on the location and the type of project, land servicing, etc. The land servicing multiplier-the relation between the average price of a serviced lot in an urban zone and that of an undeveloped, unserviced lot in an area being actually serviced- is approximately 2-3. The so-called land transformation multiplier-the relation between an average price of an unserviced lot with a building permit, located in the

urban zone, and that of an unserviced lot in the near-by rural area-is two times higher, and it amounts to 4-5. A high land conversion multiplier implies resistance to change land from non-productive use to productive use. Similarly, high servicing ratio means lack of access to undeveloped land. There are still relatively large undeveloped areas within the municipality limits, for example those used by the Ostrów Housing Cooperative, while at the same time housing projects are implemented in the suburbs.

The simplest method to address the structural housing crisis in Ostrów is to remove land use barriers.

The supply of housing are also influenced by the structure of the building industry: the structure of private building companies (the number of those employed), and the concentration of the implemented housing projects, i.e. the proportion of the new units introduced on the market by the largest (two-five) developers, in relation to the total number of completed units. There are quite a few entities that have registered as construction companies in Ostrów. The majority of them however are individuals operating as civil law companies: Ninety four percent of the registered construction companies employ up to 10 workers. At the same time, there are nine construction companies who employ over 20 workers each, but they are not necessarily active in housing development. As a result the number of new units built in the municipality has been declining rapidly since 1990; the five largest building companies built 77 percent of all new units in 1990. The market seems to be competitive though there still is lack of demand.

Social Safety Net and Homelessness

Homelessness as such is not a issue in Ostrów, as it is marginal. It is difficult to determine the scale of the social housing needs, as there is no information about the number of households with low incomes, and whose housing needs are not satisfied. Social activity in relation to the housing sector involves the disbursement of housing allowances to families with low incomes. The largest share of the housing allowances are consumed by cooperative members (55 percent), while tenants in municipal units receive about 25 percent of all housing allowances issued by the municipality. On the other hand, the level of fees charged to households who reside in cooperative units is almost two times higher than those charged to households who reside in municipal units. The financial burden imposed by housing allowances outlays to the municipal budget has decreased over the 1995-1996 period (adjusted for inflation); almost the same nominal amount of housing allowances was disbursed in 1996 as in 1995 and 1994. On the other hand, the average allowance payment has increased almost 1.5 times over a three period.

The extent of the substandard stock has increased in Ostrow. If we simplify, we can assume that this stock is represented by the entire pre-war stock. Thus, over one-fourth of the total Ostrów housing stock is substandard, and the share of substandard units amounts

even to one-third.

The Market

The real state market is developing in Ostrów. We estimate that the total number of housing transactions (single-family houses, apartments, construction plots) has increased three times during 1993-1997. The number of privatized apartments has been growing more slowly than the overall number of housing transactions; more rapid over the 1993-1995 period, and then a decrease over the 1995-1997 period. One reason for this development is that the majority of good quality apartments have been sold. On the other hand, the number of privatized cooperative apartment has drastically increased. An analysis of income and of the stock reveals that the majority of residents of Ostrów shall satisfy their housing needs within the existing stock. The number of transactions involving residential construction land plots has been steadily growing. Over the 1993-1995 period it grew rather slowly, but increased rapidly over the last two years. The volume of transactions involving residential construction plots amounts to a half of all housing transactions. These transactions make one-third of the total number of transactions.

According to the Ostrow Tax Office, prices of residential construction plot have been on the rise since the beginning of the nineties; for example, the prices of well located, serviced lots have risen 2.1 times from 1990 to 1995. The slowest to increase is the price of units with ownership title entered in the Land and Mortgage Register; they have risen by 1.3 over the last two years.

Despite an increase of prices of apartments, the ratio between household income and prices has dropped. This is a result of rising household income and stabilized prices of housing units. About 11 square meters of a single-family house could be purchased by an average annual income of a taxpayer in Ostrów in 1994. The corresponding figure for 1996 was over 15 square meters. The relationship between income and housing is even more drastic for those housing units that are entered in the Mortgage and Land Register. In 1994, one could purchase 14 square meters with a typical annual income, while two years later it was almost 21 square meters. The trend among construction plots is the reverse. A typical household could purchase 380 square meters of a land in good location, while two years later a household with average income could purchase 332 square meters of land.

According to information obtained at the Ostrow Tax Office, in 1996, the average annual income of those in the highest income group (quintiles) could buy about 39 square meters of a fully-equipped single-family house; 53 square meters of a fully equipped unit with the ownership title entered in the Land and Mortgage Register; but only 30 square meters of a cooperative unit with the ownership title; and 850 square meters of a residential construction plot in good location. On the other hand, those households in the lowest group could buy 3 square meters of a single-family house or a cooperative unit with the

ownership title; 5 square meters of a unit with the ownership title entered in the Land and Mortgage Register; or 75 square meters of a construction plot.

On the average, rents in municipal housing units are a great burden on household income. The maximum rent for an average size municipal unit amounts to 7.4 percent of an average monthly income in Ostrów. However, when you include utilities housing expenses amount to 24 percent of average household income. Despite the relatively low rents, 60-70 percent of municipal tenants have rent arrears. These arrears are insignificant in relation to overall rent payments since represent only 13 percent of total rent.

The Price and Cost of the Newly Constructed Units

Housing prices vary in Ostrow. The average market price of 1 square meter of an existing cooperative unit was approximately PLN 800, while that of an existing single-family house it is approximately PLN 700. The price of units in the existing stock are at the level of, or below the cost of construction of comparable units (estimated at approximately PLN 12,000 per square meter).

Bank Loans

Two banks operating in Ostrów (PKO BP and the PEKAO SA) extend construction, housing, and mortgage loans. The PKO BP offers the well-known and affordable indexed "Alicja" loan, while the PEKAO S.A. has a version of the an indexed loan- the DOM. So far, over 50 loans have been extended over the last two years for an average PLN 20-30 thousand per household, mainly to finance single-family housing.

There relatively limited mortgage activity. According to bank officials, this is due to limited interest on the part of the residents in housing loans. However, the situation is changing very slowly, as an ever growing number of households, mainly representatives of the younger generation, are interested in building or purchasing their own units with the use of loans.

At the same time, the economy of Ostrów is developing. While comparing the number of the extended loans with the level of housing construction in Ostrów, one can say that approximately a half of the new units built during the last two years has been cofinanced with loans. This is better than what takes place in the rest of Poland. A broader promotion of the bank financing for all those interested would be advisable.

CONCLUSIONS

Ostrów is a municipality which has developed relatively rapidly over last two years.

Housing needs are relatively stable level. This is a result of a lack of significant demographic changes and low net in-migration.

The number of housing units in relation to the number of households is relatively high in relation to comparable municipalities. As a result, prices have not risen rapidly. This, in turn, leads to low demand for new construction.

Income of residents who live in Ostrów are highly differentiated with greater income disparity over time. Both the income structure and the structure if the housing stock lead to the following conclusions:

- With a presence of a large group of those with very low incomes, it is necessary to increase demand through demand-side housing policy (i.e. housing allowances).
- Rent increases (especially those in the remaining part of the municipal and cooperative stock) should be compensated by the promotion of the housing allowances system.
- The promotion of loans to enable the exchange of units to take place should be promoted.
- The development of new housing construction should be facilitated by the access to land for housing development.
- The municipality of Ostrow should re-evaluate its regulations concerning housing development to free the constraints to housing development.